

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL

246

REVIEW OF CHILD CARE SERVICES
ADMINISTERED BY
THE DEPARTMENT OF EDUCATION

MARCH 1975

TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

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March 12, 1975

Honorable Bob Wilson
Chairman, and Members of the
Joint Legislative Audit Committee
Room 4126, State Capitol
Sacramento, California 95814

Dear Mr. Chairman and Members:

Transmitted herewith is our report on the administration of state funded child care services established pursuant to the Child Development Act.

Child care services, which are financed with local, state and federal funds, are administered by the State Department of Education. During fiscal year 1974-75, 284 child care providers are authorized to spend up to \$66.5 million to provide child care services for an estimated 46,900 children. These providers are operated by either private nonprofit corporations or public school districts and county superintendents of schools.

At the four providers where we conducted field investigations, the Department of Education had allocated approximately \$1.2 million to care for an estimated 474 children. These providers include the privately operated East Long Beach Neighborhood Center in Long Beach and San Juan Bautista Child Development Center in San Jose, and the publicly operated Chula Vista City Elementary School District in San Diego and South Lake Tahoe Unified School District in Lake Tahoe. We noted an overall strengthening in the management of these four providers between our initial and final visits.

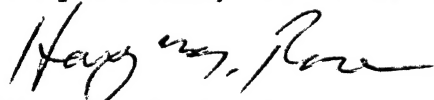
Honorable Bob Wilson
Chairman, and Members of the
Joint Legislative Audit Committee
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The Department of Education has not imposed a deadline on the submission of annual audit reports of private nonprofit child care providers. As a result, 44 of the 48 privately operated providers, funded during fiscal year 1973-74, including East Long Beach Neighborhood Center and San Juan Bautista Child Development Center, had still not submitted their annual audit reports to the Department of Education as of February 28, 1975.

Pursuant to law, annual audit reports of public child care providers, operated by school districts and county superintendents of schools, must be submitted to the Department of Education by November 15, following the June 30 fiscal year ending date.

We recommend that the Department of Education adopt regulations imposing a deadline for the submission to the department of audit reports on private nonprofit child care providers, similar to the deadline already imposed on public providers operated by school districts and county superintendents of schools.

Respectfully submitted,



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INTRODUCTION

In response to a legislative request, we have reviewed the administration of state funded child care services established pursuant to the Child Development Act (Sec. 16700 et seq., Ed. C.) at four selected child care centers.

These child care services, which are financed with a combination of local, state and federal Title IV-A, Social Security Act Funds, are administered by the State Department of Education's Child Development Program Support Unit (CDPSU). As of January 1975, Department of Education had authorized 284 child care providers to spend up to \$66,521,220 in state and federal funds during fiscal year 1974-75 to provide child care services for an estimated 46,900 children. These child care providers are operated by either private nonprofit corporations, or public school districts and county superintendents of schools. At the four providers which we visited, the department had allocated \$1,194,702 to care for an estimated 474 children.

As part of this examination, we reviewed records and interviewed the staff of the Department of Education's Accounting Office, CDPSU and visited the facilities, reviewed records and interviewed staff at the four selected providers. Table 1 summarizes the characteristics of these four providers.

Table 1
Characteristics of Selected Providers

	<u>Location</u>	<u>Type</u>	<u>Estimated Number of Children</u>	<u>Authorized FY 1974-75 Funding As of 1/75</u>
East Long Beach Neighborhood Center	Long Beach	Private	132	\$ 380,953
Chula Vista City Elementary School District	San Diego	Public	73	156,298
San Juan Bautista Child Development Center	San Jose	Private	149	370,285
South Lake Tahoe Unified School District	Lake Tahoe	Public	<u>120</u>	<u>287,166</u>
TOTAL			<u>474</u>	<u>\$1,194,702</u>

Between our initial visits to the four selected child care providers in the fall of 1974 and our final visits in February of 1975, we noted a significant strengthening in the overall management of the centers we visited.

Under the Child Development Act, the Superintendent of Public Instruction is responsible for administering and coordinating the provisions of child care services for children with priority to be given to children of low income and disadvantaged families (Sec. 16702, Ed. C.). Such services are, in part, intended to (1) provide disadvantaged parents, and especially public assistance recipients, with affordable child care services so that they may seek employment; and (2) to enrich the health, nutrition, and education of children from disadvantaged backgrounds.

For purposes of compliance with federal requirements, an interagency agreement has been approved by the federally designated single-state agency, the Department of Health, which confers on the Department of Education responsibility for assuring that child care services are provided in compliance with applicable regulations.

FINDINGS

THE DEPARTMENT OF EDUCATION HAS NOT IMPOSED A DEADLINE ON THE SUBMISSION OF ANNUAL AUDIT REPORTS OF PRIVATE NONPROFIT CHILD CARE PROVIDERS. AS A RESULT, 44 OF THE 48 PRIVATELY OPERATED PROVIDERS FUNDED DURING FISCAL YEAR 1973-74 HAD STILL NOT SUBMITTED THEIR ANNUAL AUDIT REPORTS TO THE DEPARTMENT OF EDUCATION AS OF FEBRUARY 28, 1975.

The Department of Education did not establish a deadline for the submission of independent audit reports for fiscal year 1973-74 by private nonprofit child care providers.

As of February 28, 1975, 44 of the 48 annual audit reports of private nonprofit child care providers, including East Long Beach Neighborhood Center and San Juan Bautista Child Development Center, had still not been submitted to the Department of Education for the fiscal year ended June 30, 1974. These 44 child care providers received approximately \$2.5 million for fiscal year 1973-74.

Expenditures of child care providers operated by school districts and county superintendents of schools are required by law to be audited annually and reports of such audits are required to be submitted to the Department of Education by November 15, following the June 30 fiscal year ending date. Statutory law does not contain any similar provisions which would require private nonprofit organizations operating child care centers to submit audit reports by a specified time. Neither has the Department of Education adopted any regulations requiring timely filing of audits.

CONCLUSION

The Department of Education, by not imposing an audit deadline for private nonprofit child care providers, which are not specifically covered by statute, has allowed continued funding of child care services, eight months after the close of fiscal year 1973-74, without certification of the prior year's expenditures.

RECOMMENDATION

We recommend that the Department of Education adopt regulations imposing a deadline for the submission to the department of audit reports on private nonprofit child care providers, similar to the deadline already imposed on public providers operated by school districts and county superintendents of schools.

BENEFITS

Implementation of this recommendation will enable the department to make timely financial evaluations on private nonprofit child care providers.

OTHER PERTINENT INFORMATION

At the time of our initial visits to the four selected child care providers in the fall of 1974 we found that none of the providers were maintaining all required health records including records of physical examinations and immunizations for the children enrolled. CDPSU is in the process of reviewing the four providers and has received plans for correcting the violations from two of the child care providers. These are the East Long Beach Neighborhood Center and the Chula Vista Elementary School District. The other two child care providers have yet to submit plans to CDPSU and are still out of compliance. These are the San Juan Bautista Child Development Center and the South Lake Tahoe Unified School District.

Since CDPSU is actively involved in correcting the violations, we are making no recommendation at this time.

SUMMARY OF COMMENTS OF THE ASSISTANT
SUPERINTENDENT OF PUBLIC INSTRUCTION
FOR CHILD DEVELOPMENT PROGRAMS OF
THE DEPARTMENT OF EDUCATION

The Department of Education's Child Development Programs Support Unit agrees that private nonprofit child care providers should be required to submit audit reports by November 15 of each year. The CDPSU will implement this requirement administratively.

SUMMARY OF COMMENTS OF THE DIRECTORS
OF THE FOUR CHILD CARE PROVIDERS REVIEWED

Director of the East Long
Beach Neighborhood Center

At the time of the initial visit, we had just hired a nurse and we are in the process of bringing our health records up to date.

We are negotiating for a complete audit with a firm right now.

Director of the San Juan
Bautista Child Development Center

We have people on AFDC and they do not have the \$25 it costs for health examinations. We have just started a free program of examinations for some of our children.

There is an audit in progress right now. We have put a lot of money into bringing our records up to date and we are interested in knowing how we stand.

Teacher in Charge of the Chula Vista
City Elementary School District Child Care Centers

We have our records in three separate locations. The auditor asked for the records, but I think he must have overlooked one location. I personally am very careful in checking the immunization records. We have hired a nurse since your review. We had all our physical examination records in order.

CDPSU has found our center in compliance.

Director of the South Lake Tahoe
Unified School District Child Care Center

We were in the process of correcting the health record violations at the time of your review. We have a rule now that children have to have the physical or a verification that they have an appointment for a physical the week they enter the program. Children will not be admitted unless they meet this rule.

Parents have to pay at the time of the examination and we have had people that could not afford to get a job because of the \$21 it costs for an examination for each child. Some parents have three children and cannot afford to pay.

We have a plan for compliance with the health care regulations in our file dated January 10, 1975. We are sending copies to the CDPSU and Auditor General's Office.